"Analysis of Crop Insurance as a Risk Management Strategy for Georgia Peanut Producers: An Investigation of the Effectiveness of Crop Insurance as a Safety Net for Peanut Producers from a Whole Farm, Multi-Year Perspective."; **A.S. Luke-Morgan*, S.M. Fletcher, Z. Shi, Abraham Baldwin Agricultural College.**

Issue: By nature, agricultural production is a risky venture facing uncertainty from multiple factors, many of which cannot be controlled. Economic stability is vital to Georgia's peanut producers to ensure long-run viability. Catastrophic events in recent years provide harsh examples of the economic impact Georgia agriculture faces from uncertainty in production and marketing. Many producers utilize risk management tools to mitigate the economic impact of uncertainty. Crop insurance is one risk management tool often regarded as providing a safety net for producers. This study continued to investigate the effectiveness of crop insurance in providing a safety net for peanut producers in the state. This study expanded prior research to a whole farm scenario utilizing representative peanut farm data.

Response: In July 2021, the representative peanut farm database was updated through focus group meetings throughout the southeast, with 3-6 representatives for each representative farm location. One consistent revelation throughout these meetings is that crop insurance selection for a specific enterprise within a whole farm continues to be multi-faceted. Decisions are made on policy type for a range of coverage levels and pricing options. In addition, there is considerable variability within the individual group members, which often exacerbated determining a consensus value. As a result, the focus was shifted to the county level values with models considering the different policy options and levels to determine the impact.

Methods: Historical crop insurance data was analyzed for peanuts, cotton, corn, and soybeans to provide a foundation of trends over time in the number and types of policies sold and indemnified for each commodity. Similarities and differences between commodities, regions, insurance types, and resulting indemnities are being analyzed. Next, the expected and payment yields are considered for peanuts, cotton, and corn. Using the historical t-yields by county combined with representative farm data, the types and levels of crop insurance coverage and the resulting premium will be considered for each enterprise of a representative farm.

Preliminary Findings: The findings show great variability across crop insurance decisions for representative peanut farms. The 2021 update of the farms continued to show this variability. As we visited the different locations, most producers relayed that even within their farms, they either did not know exactly what type/level of coverage they had (many suggested we talk with their insurance agent or local FSA) or reported that it was a case-by-case decision. In addition, a mix of policy types and coverage levels were reported, both within and across farms. Similar trends remain evident in national data.

The average per acre cost across all commodities ranged from $6.01 to $61.50, which points to the variability in the perceived value of crop insurance as a safety net. When considering the county 10-year T-yields for each farm, the yields range from 35% to 109% of the expected yields for peanuts. This means that producers are managing crops based on the expected yields, but in case of insurable loss, the potential coverage is on a much lower yield. The indemnities and COL were highly variable between years, commodities, and regions.

This analysis, coupled with discussions with RMA, has emphasized the importance of a knowledgeable crop insurance agent as farm management decisions are being made.

Moving Forward: As preparations are underway for the next Farm Bill, it is vital to obtain a clear understanding of the relevance of crop insurance for peanut producers. While crop insurance is considered the primary risk management tool for producers to recover from natural disasters and volatile market fluctuations, research indicates that the reliability of crop insurance as a safety net varies for many peanut producers when considering the total operating costs for the enterprise. In the upcoming months, focus will be placed on determining the cause of the differences in the effectiveness of crop insurance as a risk management tool for different crops, regions, and crop insurance products. Gaining this understanding will allow decision-makers to be better prepared for the next round of Farm Bill negotiations. As a result of the representative peanut farm database updates last summer, the additional information gathered about the decision-making process for crop insurance is being analyzed to gain additional perspectives on the relevance of crop insurance for peanut producers.

Table 1. Type of Crop Insurance Purchased on Representative Peanut Farms (Percent of total farms, n=22)

	Peanuts	Cotton	Corn
Insurance Type:	% of Farms Using Insurance Type		
Catastrophic	11%	6%	43%
Yield Protection	72%	33%	36%
Revenue Protection	17%	61%	21%

Table 2. Level of Crop Insurance Chosen by Representative Peanut Farms

Coverage Level	Percent of Farms
50%	19%
60%	6%
65%	44%
70%	19%
75%	12%

Table 3. Comparison of County T-Yield and Expected Yields for Representative Peanut Farms

Farm	10 Year County T Yield/Expected Yield	85% Coverage	% of Expected	65% Coverage	% of Expected
A	80%	3,689	68%	2,821	52%
B	72%	2,922	61%	2,235	47%
C	73%	2,839	62%	2,171	47%
D	79%	2,856	67%	2,184	52%
F	80%	3,332	68%	2,548	52%
G	109%	2,992	92%	2,288	71%
H	89%	3,111	75%	2,379	58%
I	92%	3,043	78%	2,327	60%
J	89%	3,859	76%	2,951	58%
K	90%	3,434	76%	2,626	58%
N	67%	2,564	57%	1,961	44%
O	103%	3,418	88%	2,614	67%
P	35%	1,326	29%	1,014	23%
Q	85%	2,167	72%	1,657	55%
R	77%	2,958	66%	2,262	50%
S	74%	2,817	63%	2,154	48%
T	76%	2,805	65%	2,145	49%
U	82%	3,570	69%	2,730	53%
V	96%	3,009	82%	2,301	62%
W	76%	3,179	64%	2,431	49%
Average across all	*81%*		*69%*		*53%*

Source: USDA and Representative Peanut Farm Database